ONTARIO ECONOMIC UPDATE

Economic and Revenue Forecasting and Analysis Branch
Office of Economic Policy
Ministry of Finance

Ontario

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Economy

Economy Continues to Grow in 2005

The Ontario economy grew by 2.8% in 2005, slightly stronger than the 2.7% increase in 2004.

Ontario domestic demand remained strong in 2005, increasing by 3.8%. Consumer spending was a major contributor to economic growth last year, with real personal expenditures rising 3.6%, which is the largest annual gain since 2002.

Employment

Ontario Creates 34,000 New Jobs in May

Ontario posted very solid job gains in May with the addition of 34,000 net new jobs, the strongest monthly gain since August 2002. So far this year, Ontario employment is up by 109,200 jobs for a gain of 1.7%. The strong job growth in May allowed the unemployment rate to drop 0.3% to 5.9%, its lowest level in five years.

In 2005, Ontario added 81,200 net new jobs for a gain of 1.3%. Full-time employment dominated job gains in 2005 with 71,000 net new jobs (+1.4%), while part-time employment increased by 10,200 jobs (+0.9%). The unemployment rate averaged 6.6% in 2005, the lowest annual level since 2001.

Inflation

Ontario CPI Inflation Rate was 2.8% in May

The Ontario Consumer Price Index (CPI) inflation rate rose to 2.8% in May (year-to-year) from April's level of 2.3%. Higher gasoline prices remain the major contributor to inflation.

In 2005, the Ontario CPI inflation rate was 2.2%, up from 1.9% in 2004. The 2005 annual Canadian CPI inflation rate was also 2.2%, while the U.S. inflation rate was 3.4%.

Households

Ontario **housing starts** advanced 9.7% in May to a level of 73,500 units. Over the first five months of 2006, housing starts are 2.3% below the same period in 2005.

Over the first four months of 2006, Ontario **home resales** are 3.2% higher than during the same period in 2005. In April, 18,949 homes changed hands, down 6.6% from a year ago.

Ontario **retail sales** rose 1.2% in April to a record high of $11.9 billion, following a 3.2% increase in March. Over the first four months of 2006, retail sales are 4.1% ahead of the same period in 2005.

Ontario **new motor vehicles sales** slipped 0.3% in April to a level of 51,502 units, down from the 0.4% gain reported in March. Over the first four months of 2006, auto sales are very close to last year's level, down only 0.6%.

Investment and Business Activity

According to Statistics Canada's *Private and Public Investment Intentions Survey*, Ontario businesses and public sector institutions plan to increase investment by 6.5% to $95.5 billion in 2006. This would be the strongest increase in capital spending since 1999.

The value of Ontario **non-residential building permits** issued in April fell 12.6% after surging 26.1% in March and 11.5% in February.

Over the first four months of 2006, Ontario **international merchandise exports** (customs-basis) are 1.6% higher than the same period last year.

Ontario **wholesale trade** rose 0.3% to $21.3 billion in April, following a 1.1% increase in March. Over the first four months of 2006, wholesale trade is 9.9% higher than during the same period last year.

The value of Ontario **manufacturing shipments** fell 0.3% to $25.1 billion in April. Over the first four months of 2006, the value of shipments is 3.4% lower than the same period last year.

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